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Citation for published version (APA):

Nikolychuk, L., Kerrigan, F., & Abbott, P. (2009). *UK Independent Television & Film Production Sectors: Exploring New Collaborative (Business) Models*. London Development Agency/ King's College London.

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University of London

UK Independent Television & Film Production Sectors:

***Exploring New
Collaborative
(Business) Models***

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ISBN 978-1-897747-22-5

A CIP record for the book is available from the British Library

Typeset by WM Pank, School of Humanities, King's College London

UK Independent Television & Film Production Sectors: Exploring New Collaborative (Business) Models

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Introduction and Acknowledgements

We present this report as an account of activities underway within the UK's independent television and film production sectors to depict how collaborative (business) models are evolving in response to current market conditions. A value chain concept along with mapping the network relationships involved is the framework adopted to interpret viewpoints from multiple sources. We would like to emphasize two points about the report.

One, the findings are illustrative and therefore they are not intended to suggest that alternative pathways are implausible or impossible. Many of the activities described to us are clearly in early stages of development and many options could yet be created or foreclosed. Two, this project is part of a pilot programme aimed at creating useful collaborations between small and medium sized enterprises (SMEs) and higher education institutions (HEIs). It represents one way in which these sectors and King's College London might envisage engaging in further knowledge building and exchange activities.

We would like to thank the LDA (London Development Agency) for funding this project as part of their pilot programme and King's Business Ltd. for selecting this project as one of the pilots that they saw value in supporting. We also especially thank all of the individuals from the companies and agencies that have given generously of their time. Without their contribution, this report would not have been possible. A list of contributors is included at the end of the report.

Lastly, we hope that you will find this a useful, interesting and fair reflection on the issues discussed.

Yours sincerely,



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1 Executive Summary

- ♦ Some of the more prominent challenges arising from the LDA pilot project entail devising new collaborative (business) models and work practices that include the formation of deeper relationships, within both sectors, between production and distribution. Producers that are too small to support vertically integrated distribution (the preferred option) and others who do not have an ongoing relationship with a distributor (involved also in development) express disadvantage in competing for new business.
- ♦ Amongst the opportunities available for developing new revenue streams from online activities, evidence of rights sharing arrangements between producers and distributors and between producers and broadcasters suggest that competition in the online space is occurring. Uncertainty of IP value and how to establish equitable share of returns is partly why current contractual practices in the online domain operate on a case by case basis.
- ♦ Increased complexity of financing programme production in the UK independent television production sector is particularly challenging for smaller producers who may still be unaccustomed to relatively new demands of packaging finance from multiple sources and negotiating effectively to retain their content rights.
- ♦ Independent television producers are ahead of independent film producers as regards to their expectation for receiving revenue streams beyond the production fee earned from their production activities. A reassessment of the UK rights arrangements available to independent film producers could strengthen their exploitation potential.
- ♦ Findings suggest that production collaborations with new media technology companies are raising additional issues regarding IP ownership and rights sharing.
- ♦ There is a need to address concerns of distrust between producers and distributors regarding costs and revenue sharing.
- ♦ Although sponsorship is becoming a more active area for funding new online programme concepts, it is too early to foresee the extent that it might contribute to furthering such developments.
- ♦ One of the noticeable innovations/adaptations to programme production is cultural blending as part of the trade off for obtaining funding needed to cover budget deficits. Co-production with non-UK producers is also a means used to develop access to the American market.

2 Background

This report derives from a larger pilot project programme funded by the London Development Agency (LDA) to explore potential methods of useful engagement between SMEs (small and medium sized enterprises) and research intensive universities. As one of the programme's pilot studies, the UK independent television and film production sector study has focused on investigating how collaborative (business) models may be changing in response to current market conditions, particularly in light of ongoing advancement of digital technologies and policies aimed at exploiting the economic potential of these two sectors.

Unlike some industries, independent producers of UK television programmes and films, have long recognised the importance (and perhaps necessity) of collaboration, on an individual and inter-organisational basis. Yet, how does the presence of these new opportunities and challenges raise the need for such SMEs to collaborate in novel ways? Who are the new stakeholders and emerging players (competitors/collaborators) in these fields and how are they redefining boundaries of organisational practice? How do networks, as an organising form, for example, operate in this changing environment? In both cultural and commercial terms, understanding the new rules of the game, as they emerge, are likely to be key input factors to future success.

Our approach for considering how collaborative (business) models may be changing draws upon the perspectives of individuals from organisations participating in the content production value chain from idea-concept to end distribution-use. The emphasis is on identifying how existing and new relationships are evolving to create and exploit potential economic value across multiple market and platform domains. In so doing, we provide illustrative maps of network relationships involved in these activities and highlight some prospective pathways. The research underpinning this report included three phases: 1) a cross sector workshop held earlier in the year that included industry participants, policy makers and academics to identify key issues, 2) follow-on discussions with individuals from industry and policy organisations to explore issues in more depth, and 3) a feedback session where initial findings were presented for discussion and preparation of the present report.

The report is organised in the following manner. Section 3 highlights the key issues raised during the cross sector workshop. Section 4 addresses emergent issues and findings from the follow-on discussions. Section 5 provides insights to some of the current collaborative

(business) models in practice. Finally, in Sections 6 and 7, implications and future considerations are discussed with suggestions for progressing research based work in these areas.

3 Stage 1 – Identifying Issues of Importance

The workshop, held on 12 March 2008, drew together key issues regarding how new collaborative (business) models are emerging within the new media environment. The workshop also served to highlight areas of concern for the UK's independent television and film production sectors and made some tentative suggestions regarding the focus of future policy initiatives and support for both sectors. Issues of importance that emerged from the workshop included 1) financing arrangements, 2) networking needs, including the changing nature of consumers and consumption of audiovisual products and, 3) issues related to creating and protecting intellectual property.

3.1 Financing

Participants from both sectors highlighted issues related to the funding of content production and development, compounded by threats to revenue streams, as major concerns. Pressures on production funding were seen to emanate from a complex interplay of contributing factors including cutbacks in broadcasters' budgets (television and film), declining advertising sponsorship (television) and reduced license fees (television), which on the one hand restrict incoming funds while rising costs of development and production, on the other hand, serve to deplete already diminished resources. Increased costs were associated with expenditure on physical assets, location hire, actors' fees, contracts and the compression of windows for distribution of films.

Participants also raised concerns related to accessing these depleted funds. They indicated, for instance, pressures to invest in considerable upfront research and development before being able to secure funding commitments from financiers. Additionally, they perceived an increased need, especially amongst independent television producers, to participate in multiple funding arrangements. It was felt that these issues put additional pressure on the limited resources of SMEs already vulnerable to competition from larger players within the industry.

These concerns were mainly related to traditional television and film production. Work specifically targeted at the Internet, though, was also seen to be subject to similar funding constraints. The financing

models for online work were identified as either based on partial funding through broadcasters or on self-funding for development supplemented by advertising sponsorship for production and distribution.

Revenue streams, especially for independent film producers, were also seen to be threatened mainly by the perceived "gatekeeper" behaviour. For example, timed release of films through the windows system and cinemas' exclusive rights to the film during these periods were seen to contribute to a delay in directing cash flow back to the film producers, thus restricting financing for further development. Additionally, broadcasters were seen to be attempting to 'own the online space' thus 'clawing back' revenue that was felt should rightly accrue to the content rights owners.

The potential of the "long-tail" economy was also discussed as a means of earning additional revenue. The long-tail in this case would refer to transactions involving ancillary products associated with content offerings, which although small in size, would be expected to generate sizeable revenue in aggregate. In addition, there is the possibility of offering audiovisual products for a longer period of time through the use of alternative distribution channels. This solution was seen to be a viable means of bypassing both cinema and broadcaster "gatekeepers" although also contributing to increased market fragmentation.

Further issues related to marketing and distribution was discussed as part of the context underpinning the financial situation of smaller independent production companies. For example, many issues were raised concerning how to 1) address an increasingly fragmented market (as perceived by these participants), 2) re-brand content for this changing market, 3) meet perceived changes in consumer behaviour and address the challenge presented by consumers' desire to access audiovisual content for free, 4) take advantage of new distribution models to further raise revenues and, 5) develop new models for distribution that bypassed traditional channels. A point emphasised was that emerging business models that may be able to assure these outcomes would probably prioritise consumer-oriented approaches and aim to achieve distribution efficiencies and development of niche-markets.

3.2 Networking Needs

Participants acknowledged networking as a pre-existing organising concept with which they were very familiar. It manifests itself through the fluid, dynamic alliances that operate in the sectors and through the existence

of “reputation” as the currency of their business-to-business engagements. In discussing current networking needs, they drew attention to benefits that could be gained from collaborative relationships taking place among value chain participants, cross-sector players and external regulatory and other institutional bodies. These collaborative structures could include: 1) producer/distributor or producer/broadcaster alliances, 2) cooperatives of distributors or producers, 3) producer-to-producer service provision, 4) producer/online company relationships, 5) alliances with stakeholders such as museums, charities and individuals who have an interest in specific content and, 6) larger networks incorporating all members of the value chain or including government agencies and educational bodies.

It was expected that the synergies of these collaborations would provide a consolidated approach to addressing issues such as: 1) competition with larger players in the industry, 2) rights exploitation, 3) market development, 4) access to international funding and distribution channels, 5) consumer involvement and “gatekeeper” barriers. Notwithstanding the potential of these ideas, vertical integration was also seen as a desirable way forward by some participants in contrast to loose SME networks. Pitfalls of the latter were highlighted in, for example, the conflicts of interest that could arise between aggregators and those responsible for content creation.

3.2.1 Consumers

Workshop participants associated emerging collaborative (business) models with new ways of engaging consumers. Modes of engagement were seen to be changing. A recurring theme was the perceived need to identify new audiences, determine their preferences, and to develop content specifically produced for them. In addition, many producers have not developed relationships directly with consumers and discussion took place regarding shifts to the business to consumer domain. The Internet was seen as forcing the fragmentation of these audiences, thus producing smaller niches with specialised interests. In turn, these specialist groups were seen to seek out content rather than to participate in mass consumption. Hence, the participants determined that emerging business models would be more consumer-led than producer-led. In driving this change, consumers were seen to be demanding, impatient, highly adaptable to new technologies and willing to compromise quality for freely available content on the Internet. Consumer-led content production was also briefly mentioned both

as an opportunity for developing new markets and as a threat to maintaining high quality standards and current revenue streams.

Technology was also seen as enabling new ways in which content could be experienced. For example “unbundling” of products like music tracks extracted from albums or chapters from books creates a smaller unit of content which then becomes the new consumable. Specific features of the Internet as a platform for distribution of content were mentioned such as: 1) the levels of interactivity that the Internet offers as compared to television, 2) the peer-to-peer networking capability that enables file sharing and 3) the phenomenon of “viral” marketing and community-building through word-of-mouth.

3.2.2 Cross Sector Learning

Cooperation across the independent television and film production sectors was seen to be desirable so as to anticipate more effectively the needs of the consumer. The suggestion was made that more meetings or workshops bringing cross-sector participants together could represent a viable way to enable this to occur. Such interactions across the sectors could result in sharing of ideas and problems. Benefits could be gained intra-sector with fuller understanding of the business models under which each sector currently operates.

3.3 Creating & Protecting Intellectual Property (IP)

Another theme discussed at the workshop concerned the development, ownership and protection of originated content. Participants noted both the advantages and disadvantages of accessing public funding. On the one hand, a predictable source of development funding could protect against the effects of declining revenues. On the other hand, government funding may be tied to certain expectations which, for independent television and film producers, may result in compromises to their creativity. For example, in China, government funding is seen to be linked to censorship, while in the UK, participants claimed that government subsidies made it difficult to be independent about choice of topic. Whatever the means of funding, however, it was agreed that the state should preserve the cultural integrity of originated content.

Government subsidies for content development were seen to be declining and independent producers becoming more reliant on their own initiatives to seek alternative funding. Another form of subsidy, in the guise of a levy imposed on the use of content, was discussed. It was deemed, however, that government does not want

to be seen to be subsidising the sectors, hence such a scheme would not be easily implemented. Nonetheless the “taxing of content” in this manner would at least acknowledge the value of that content, even if only through legislation. The value of content both in terms of protecting it from piracy and establishing the rights to its ownership became major issues for further discussion.

3.3.1 Piracy

Piracy for both sectors was acknowledged as a major problem, but perhaps more so for film than for television. The Internet was seen as a significant contributor to this issue in two main ways. First, its peer-to-peer networking infrastructure facilitates file sharing, the principle means by which pirated content is distributed. Second, the ethos of obtaining products “for free” makes it difficult to put a value on content distributed through the Internet, hence participants spoke of having to “compete with free” when developing their production ideas for the Internet.

The discussion of piracy also raised the issue of how to protect against it and whether a re-conceptualisation of piracy itself was actually needed. Digital rights management, digital watermarking and global intellectual property rights (IPR) protection initiatives involving electronic registration were discussed by some participants as possible technical solutions to the problem. Enforcement of copyright laws was seen as a possible legal solution. Other participants pointed to the learning opportunity piracy could provide if it were seen not as an illegal activity but as manifestation of the changing value of intellectual property. Thus instead of fighting piracy, it could be leveraged, for example, in finding ways to harness the innovativeness of illegal initiatives or in creating business models that were more responsive to the consumer.

3.3.2 Ownership

Recent changes to legislation in the UK that gave independent television producers ownership rights over their created content were discussed. The main consequence of these changes was that independent television producers could now benefit directly from all revenue streams accruing from their products. It was also suggested that independent film producers could likely benefit from similar legislation. One impediment for such a scheme lies in the global nature of the film industry where national rights policy may be undermined by the global market place. The complexity of rights sharing in the online environment was also discussed and it was recognised that multiple approaches exist.

4 Stage 2 – Emergent Issues & Findings

This section highlights the more prominent issues arising from discussions with individuals working in UK independent television and film production companies, distribution companies, digital media companies, and individuals from trade associations and government agencies that contribute to current institutional arrangements. The section focuses respectively on issues pertaining to four areas: cross sector commonalities and distinctions (4.1), value chain relationships (4.2), competition for emerging online market space (4.3) and IP re-configuration (4.4).

4.1 Cross Sector Commonalities & Distinctions

Multiple platform and non UK market opportunities considered from cultural and economic perspectives, point to some broad commonalities and distinctions between the independent television and film production sectors. One identifiable commonality from discussions is the heightened importance of networking and reputation to secure resources underpinning production. Equally evident is a distinction between the sectors regarding relative profit earning expectations from their creative endeavours. Each issue is briefly discussed.

Unsurprisingly, we encountered densely connected networks of individuals within both sectors. Relations ranged from predominantly personal ties (family, friends, school or university friends, teachers/professors, personal partners) to more professionally based ties (previous or current work colleagues, ongoing business links along the value chain such as with producers, broadcasters, distributors). They serve multiple purposes including finding job leads, enabling access to commissioning opportunities and sources of production finance, informally sourcing and vetting production team members, and gaining links to establish new relationships with digital media companies, UK and non-UK producers, and distribution partners. Such networks have been noted in previous studies and little has changed in terms of their continuing importance. A main development is the inclusion of a wider cross section of professionals from outside the traditional television and film production sectors. Smaller producers and producers actively seeking (or already working on) cross platform developments or programme extensions (often formats) to non UK markets describe these types of connections as being at the forefront of their activities.

Relationships were also often described as durable (long term and ongoing) and overlapping between the sectors in terms of employability. Individuals with cross media experience included individuals with newspaper

backgrounds, both in print and online. Production teams in both sectors that work well together tend to stay working together, or regroup, on subsequent projects. This tendency is attributed to the efficiencies gained from teams that have established routines with members who are known to be compatible both in skills and personality. This especially appears relevant as a means to meet demanding production deadlines. However, it was also emphasised that flexibility to work with different people on different projects was a characteristic that partly defined their 'independent' identity and was a key part of their creative activities.

An additional dynamic is that connections appear quite porous. That is to say that companies operating along the value chain are, to differing degrees, receptive to or seeking new connections for expanding their network. This is equally visible from the experiences described by smaller and larger producers. However, different pathways of development are evident. For larger producers, and for those that are part of larger media groups, exploitation strategies are actively focused on integrating production with distribution activities. Horizontal expansion and start up or growth of in-house digital production units are also evident as part of emergent online strategies.

For smaller producers, links with larger producer groups appear to be increasingly relevant in two areas, 1) as a way to increase access to commissioning opportunities or funding sources that strengthen negotiating position and, 2) as a means to develop online activities that they otherwise would not have the internal resources (skill, finance, established networks) to pursue. New business to business models are emerging. We discuss these developments in more detail in section 5. A key point is that networking, particularly with respect to partnering relationships, is viewed as an increasingly important capability irrespective of size in order to optimise economic and creative objectives.

Reputation also remains highly important. Individuals with well established professional and social ties are associated with valued reputations. This is seen to contribute significantly to the economic potential of the companies with which they are related. For smaller companies, reputation largely resides in the creative experience and performance of the founder owner. It is easily traceable from descriptions of their importance in attracting talent to projects already secured and also in opening doors to secure future business deals.

For larger producers, reputation is relatively diffuse insofar as it is recognised more on the basis of known,

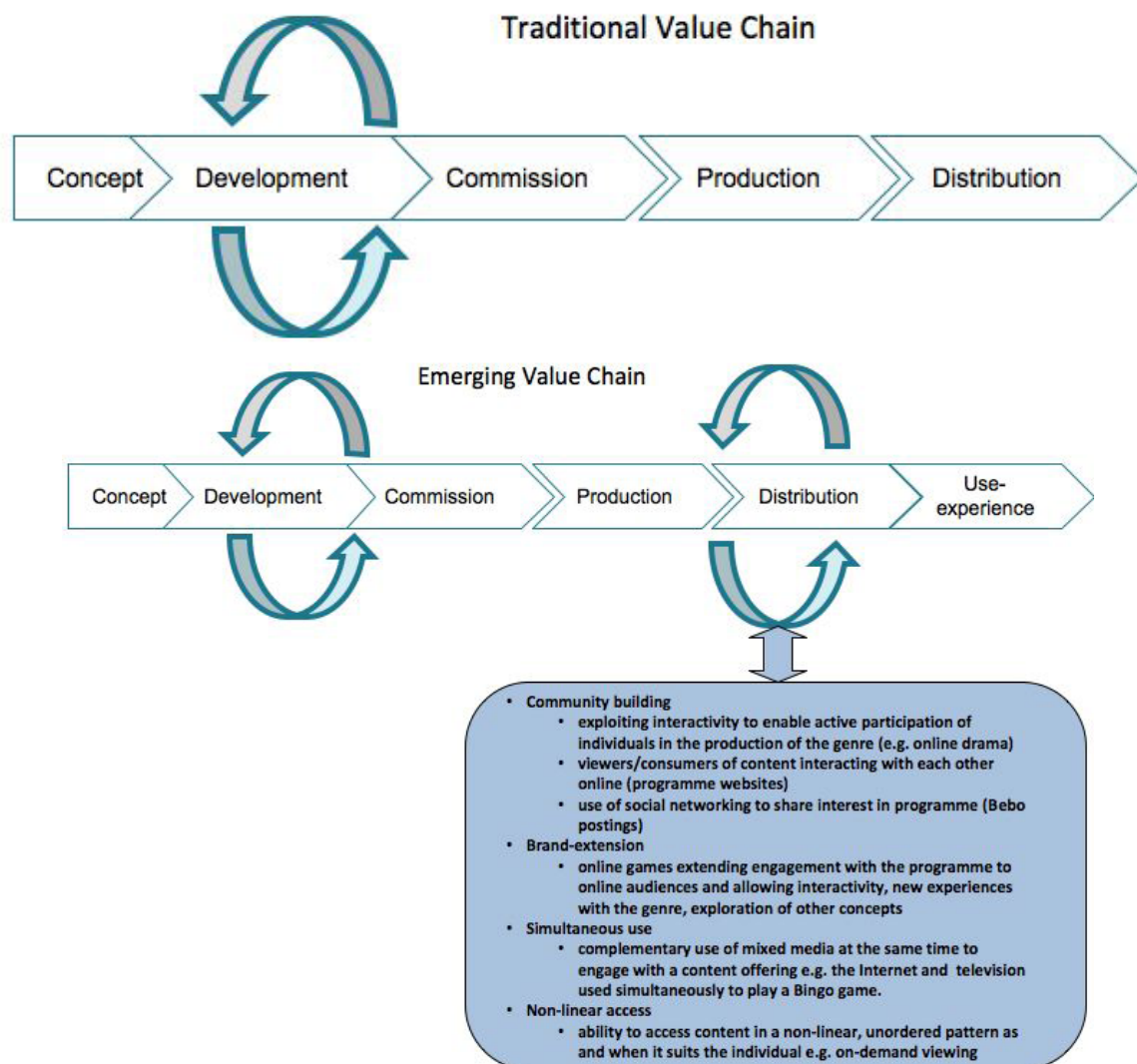
firm level, expertise in a particular genre or format area. Although reputation signals associated with industry rewards provide recognition, they do not necessarily correspond to directly improving a project's economic return, particularly for smaller producers. A notable point is how reputation increasingly appears as a parameter relied on to reduce risk of programme failure. Therefore, another aspect of the dynamic between networking and reputation may relate to how risk tolerance effects decisions about what is made and who makes it.

We are cautious about drawing distinctions between the two sectors due to the limited number of discussions held with independent film producers. However, one distinction is apparent. It is the differing expectation related to receiving a share of profitable returns from their respective creative endeavours. Whereas independent producers of television programmes expect an economic return beyond their production fee for any secondary exploitation activity, this is not equally the case on the film side. In the few instances we heard, we saw little evidence of a similar expectation. This is mainly due to production financing arrangements that result in most rights being sold in exchange for distribution deals. As a result, in many cases, the producer tends to be the last in line to receive any surplus earned after all other stakeholders have recouped their investments. UK film policy which addresses the shortfall in investment funding available for film development, production, and distribution could address this longstanding problem for independent UK film producers, although the international nature of the film market means that such policy developments may have limited impact. We turn now to provide a description of how value chain relationships are changing.

4.2 Value Chain Relationships

We have adopted the value chain concept, in one of its simplest forms, to help orientate an enquiry into how collaborative (business) models may be evolving in response to current market conditions. For this purpose, we define the value chain as a series of activity points where economic value is added, beginning from idea-concept to final distribution-use. Figure 4.1 below depicts the series of main activity points:

Figure 4-1 The traditional and emerging value chain



As an illustrative model, activity points are shown at the broadest level although it is recognised that multiple sub stages form part of the value creation process.

The first point to note is that the traditional value chain, as a set of discrete functional stages, has not changed. However we find that distribution of value along this value chain is undergoing substantial change. These changes are predominantly being shaped by industry responses to ongoing digital technology developments and, for television in particular, from recent legislation and policy guidance derived from the Communication Act (2003, section 285(7)). Provisions for the new terms of trade between producers and public service broadcasters is key to understanding current business practices and forward planning strategies. We discuss points made to us arising from these specific changes in section 4.4.

From the views to hand, relatively less disruption in current practices is apparent within the independent film sector than for its television counterpart. Equally, by

comparison, the latter appears more active in investing time and financial resources to experiment with potential exploitation pathways in the online space, although we found some indication within UK independent distributors of innovations in getting films to market through exploiting technical partnerships. Again, we are cautious about our viewpoints expressed regarding film because of the relatively fewer views we have gathered during this project. Those who represent a newer cohort of producers equipped with technical skills and less commitment to film as a working medium, may be contributing to changes in ways that we have been unable to explore with the resources available for the pilot project.

The second point to note refers to ways in which the interplay between economic and non-economic (cultural, often UK specific) imperatives are being effected. That is to say, the extent that tradeoffs of either economic or cultural interests may be occurring in light of 1) expressions that budgets are becoming more

constrained, 2) commercial exploitation opportunities are not equally available to all content types and, 3) choices of exploitation paths vary according to producer size. To explore these aspects further, we focus first on how existing (incumbent) relationships along the value chain appear to be changing and second, on how new relationships are forming. Section 5 then looks at the implications of these shifts to provide illustrative examples of collaborative (business) models that we see emerging in practice.

4.2.1 Incumbents

Incumbents refer to companies operating along the value chain largely recognised by their existence and ongoing presence prior to digital activities and recent regulatory changes. We briefly describe three main incumbent relationships and highlight changes made apparent to us in the nature of these relationships:

Broadcaster-Independent Producer

This buyer-seller relationship is traditionally characterised by the producer pitching programme or film ideas to the broadcaster who will fund an agreed amount for the making of the programme. On the television side, this can be up to one hundred percent for some genres whereas for film it represents a share of a multi-party finance arrangement. While almost all UK television productions begin and largely remain UK propositions, film begins as a UK project more often situated as an international undertaking. Pre-commission, or development funding, can also be an initiating stage of the buyer-seller relationship for both television and film and may cease at this point. Legislation referred to above, has triggered a fissure in broadcaster-producer relationships for television insofar as broadcasters may be less inclined to fund television production to the extent that they have previously, partly due to reduced expectations of rights sharing.

Ongoing dependency of broadcaster funding for some producers has highlighted changes to the nature of this relationship in two areas, 1) transactions appear less open to renegotiation if production costs exceed agreed amounts due to unforeseen events and 2) instances where the producer wants agreement to rights arrangements that are more favourable to the broadcaster, i.e. outside the terms of trade, are less achievable because of broadcaster concerns of possible repercussions. These changes, described by some producers as 'broadcaster backlash', signal two further issues becoming more prominent in the broadcaster-producer relationship.

The first issue is that joint interests to maintain UK specific, high production values are challenged as producers seek funds from non UK sources. Tension is evident about how producers need to appeal to more international audiences in order to attract non-UK funding whilst meeting UK broadcaster demands to remain expressions of UK culture. This is an example of the potential reshaping of the economic and cultural imperatives. It is a tension more visible in genres where cultural specificity is substantive. It is viewed that some of the UK's most popular, culturally specific programmes, particularly drama, would not have been made if they had been required to be funded in this manner and similar future projects are unlikely to be pursued for the same reason. We have seen instances where producers of a variety of genres, facing similar funding issues, are modifying their programme offering to appeal to non UK markets and/or seek efficiency savings within diminished budgets.

In turn, the extent and speed at which some producers are able to develop and bring new ideas to market is limited in comparison to competitors that are part of larger media groups. However, funding options that increase access to capital to overcome 'feast or famine' experiences are not always easily reconcilable with creative interests. Examples of 'window dressing' in preparation of obtaining a listing have led to subsequent management buyouts to restore creative aims. That said, becoming a listed company is one of the few perceived options available by some producers to achieve their growth objectives.

The second issue is that the broadcaster-producer relationship is becoming more competitive as regards to 'who owns the programme in the eyes of the viewer'. Programmes that are financed involving more than one UK broadcaster are a relatively new contested area for most television producers. Whereas it is in the interest of the producer to exploit their content as widely as possible, it is also in the broadcaster's interest to protect their investment in the initial underwriting of the production. This issue appears to be related to present uncertainties about the extent that branding may become more aligned to the content than to the source of delivery (branding at the programme rather than channel level). This is not described as always being a straightforward situation. The ties between broadcasters and producers often anticipate ongoing relationships and actions perceived as damaging to the broadcaster may also affect future ways of working together.

Independent Producer-Distributor

This relationship is characterised by a range of roles that may include providing production finance, marketing the production, monitoring, and otherwise managing revenue collection on the producer's behalf. Distribution for independent film productions frequently involves sales agents who secure production financing in exchange for distribution rights in various territories. In some cases, producers may have direct relationships with distributors. This is generally a more complex and established set of relationships as compared to independent television distribution arrangements, which, traditionally, were managed mainly through broadcaster distribution facilities. In both sectors, larger producers tend to vertically integrate their distribution and provide distribution services to smaller producers. Equally, the reasoning for this preference relates to cost and general distrust of distributors to adequately represent the producers' financial interests in a transparent and reliable manner.

However, there are clear indications that in current market conditions, producer-distributor relationships potentially have an increasingly important role in the value creation process. Examples of routine contact between producers and a small selection of distributors, and distributors taking equity stakes in producers are recent variations to practices that were described as previously relations of low commitment and 'promiscuous'. The most evident change in the nature of these relationships is a mutual interest in establishing 'deeper' and ongoing relations. We heard instances from producers who, in the past, may have entered into dealings with distributors at a late stage of their production, are now seeking earlier engagement with a distributor.

A proviso here is that there is indication that some film distributors are also becoming more risk averse and avoid entering into production financing with independent producers, preferring to wait until a film is complete before committing to distribution. Producer-distributor engagement can begin at the idea-concept stage and is serving two main purposes. First, financial underwriting for productions from distributors is increasingly important and second, distributors can help producers to develop ideas for new productions by suggesting ways to improve exploitation potential. The distributors' market knowledge is valuable for producers' development activities. A potential outcome is that these relations reduce risk of failure. This is probably one of the more understated and unsettled areas of how value

creation is re-adjusting along the value chain. However, closer ties between production and distribution appear to be strategically important.

Independent Producer-Independent Producer

This relationship is primarily a co-production relationship that sometimes also incorporates distribution if any of the parties are part of a group with in-house distribution. Co-production can also involve joint funding. This might mean each producer secures a share of production funding from their home territory. Co-production equally refers to jointly sharing production roles (i.e. joint executive producer) or each party providing some share of specific production input whether that is talent, management, or physical facilities. Co-productions involving a smaller producer with a larger producer can involve distribution links, and on some occasions lock in, for the smaller producer. There are two notable changes that we have heard about how the nature of these relationships is changing in terms of 1) talent and non UK collaborations and, 2) B2B online developments that bypass direct engagement with the broadcaster.

There appears, on the television side, to be growing interest by some freelance talent to establish companies so that they may gain more directly from any financial upside that the producer earns beyond agreed production fees. Writing talent, in particular, increasingly wants to be an incorporated entity in co-productions. In addition, well established American writers, independent from studio ties, are showing interest in UK co-productions whereby they can concept test their writing ideas in the UK and then leverage these developments in their home territory. Another recent notable variation to the independent producer-independent producer co-production relationship is a shift to create a new type of B2B service provider relationship in the online space. This aspect is discussed further in section 4.3.

4.2.2 New Entrants

In addition to the changing nature of incumbent relationships described above, we have also heard about how cross platform production relationships are emerging. The most evident new relationships forming are those with digital media creative agencies, technology companies, and with internet portals and social networking sites. These relationships are distinguishable from those with incumbents in that they function to provide alternatives for content creation, distribution, and finance. They are enabling possibilities

for new forms of content to emerge, either in conjunction with existing content on traditional platforms or separately in their own right. New forms of content can be about building brands online that sit separately from pre-existing long form branded content, either in short (clip) form, short (4 to 10 minute) bespoke web series, or games. In many of these cases, interactivity is an underpinning presumption that is developed to differing degrees. Examples we encountered included one instance of simultaneous cross platform usage whereby television content was developed to coordinate with simultaneous computer use.

There are a few notable points about how these new relationships are unfolding within the wider pre-existing relational context. Frequently they are more fluid and often based on short term briefs brokered through existing broadcaster relationships and reliant on budgets available through these sources. Online developments that bypass the broadcaster by directly establishing relationships with advertising agencies and online communities are described as ‘value propositions’ rather than ‘budget propositions’ – they require a mindset no longer driven by production costs but rather by how much a buyer is willing to pay to access a particular audience.

These new relationships also draw upon technical skill sets that do not necessarily combine with context (either television or film production) specific knowledge. Finding people with these skills and knowledge along with a business orientation is even more difficult to achieve. Therefore, these relationships require new knowledge and sharing of experiences with others that producers may not have previously been accustomed to dealing with. In addition, examples provided suggest that currently traditional production and online production activities tend to be organised separately with the later also acting as a support and development unit for overall digital developments. For producers entering into relationships with internet players such as Google or Yahoo, implementation of new internal control measures is also needed to ensure that territorial agreements do not set precedent for negotiating deals on a global basis.

In addition, production development activity in the digital domain, as described to us, appears to complement rather than cannibalise existing product offerings. Equally, we have seen indications that some producers are shifting their online strategy. Whereas in earlier stages of development some producers were willing to license their content or brands exclusively to web sites, they are less willing to continue this type of

relationship. Instead, they are shifting to a different basis for continuing the relationship whereby the producer either produces in-house or manages more directly the production of their content to be distributed to multiple websites. This preference is viewed as providing better quality control and greater revenue generating potential. Nevertheless, managing expectations about exploitation potential in the near term is viewed by some as an ongoing challenge within their organisations.

4.3 Competition for Emerging Online Market Space

Many of the individuals we spoke with impressed upon us that it is presently difficult to foresee precisely how opportunities for digital platform developments might eventually evolve to modify existing institutional arrangements. Indeed, a considerable amount of these online activities are admittedly pursued without a clear commercial vision. That is to say, there is not always a predefined route envisaged about how activities will be monetised, if at all. However, it is possible to draw some insights from the relationship patterns just previously identified. Two aspects of these patterns that could be instrumental in shaping future arrangements include the globalising nature of current UK production activities and the competition for emerging online market space.

Even from our limited number of discussions, it is evident that many producers are including in their development plans, production strategies that involve building closer ties to American audiences in particular. The previous section noted efforts to modify content to appeal to a more international audience (or as described by one individual, ‘the holy grail of the American syndication system’) which requires producing longer running series and includes developing programmes with a view to creating and adapting formats for the American market. These ties are also opening possibilities for extending to online collaborations.

Current patterns of development activity amongst the main value chain relationship groups also suggest that competitive positioning for emerging online market space is occurring in a variety of ways. The examples most evident and intriguing to us have been those emerging between producers and producer-distributors and between producers and broadcasters. Access to audience is of key importance and for that reason many producers are irreducibly linked to those that provide this access. Largely because of marketing and technical infrastructure costs, most producer developments favour building on existing audiences, and it is partly why

online arrangements between producers and broadcasters prevail in their present form. One result is that some broadcaster online activity appears unfavourable to producers insofar as it is market building activity that excludes producer involvement. Online broadcaster activities that are extensions of programmes made by producers for the broadcaster are one such example.

We also see producer driven online market building initiatives underway by larger producers involved in audience building through creation of destination sites. In this case, producers, established also as distributors, are extending their existing distribution relationships to provide services to other producers and international broadcasters. This is an interesting development also because the producer becomes involved in activities that resemble those of a broadcaster online insofar as the technical relationships and promotional efforts required.

These types of activities illustrate shifts toward a more competitive set of relationships. For independent television producers, this is complicated by their ongoing reliance for funding by the broadcaster. Particularly strong demand response to online catch up programme services suggest a viable market exists for a greater variety of digital audio visual services. Differences in risk bearing capacity and regulatory interpretations to recent broadcaster led collaborations will influence the ways in which these arrangements are likely to further evolve.

4.4 IP (Re) Configuration

We have seen how the valuation and allocation of intellectual property in online development areas is currently in transition. From the standpoint of the producer we have heard expressions that it is not always straightforward to know how to establish principles that will ensure equitable sharing of potential rents to all of the parties involved. As a result, the incomplete nature of these arrangements has contributed to recent disputes. The areas of dispute centre on 1) rights of use to materials online that are closely related to producer originated content and, 2) rights of use on other platforms during the licensing period. At present, the situation is fluid (i.e. reliant on negotiation between all parties) as regards to how rights sharing might be configured in this domain.

5 Collaborative (Business) Models

A common thread throughout this project has been to explore the extent to which collaborative (business) models may be changing in response to current market conditions. So far, we have discussed some of the more prevalent issues arising from our findings. We now turn to some illustrative examples to show some of the ways that these issues become manifest in current practice.

5.1 Examples of Practice

In conceptualising and discussing these collaborative (business) models, there were some aspects we considered important to include which we will now outline. Firstly, it was important to identify the sources of financing or financial models which sustain these collaborations and help to produce useful output, since in most cases collaborative models seemed to be necessitated by a need to secure funding. Another important aspect of these models was to identify, where they were seen to exist, important sources of income or revenue. We also looked at the strategies employed by the sample firms we studied to determine how they were organising their production so as to build capability and position themselves vis-à-vis their presumed competitors. Finally, we mapped out from the data collected areas where the participants felt they were creating or enhancing the value of their offering.

5.2 Illustrative Models

In applying this analysis the following generic collaborative models were identified from the data gathered primarily in the practitioner interviews. The models are extremely simplified versions of reality and serve only to highlight areas where we felt identifiable changes were occurring. The first diagram, Figure 5-1, is a simplified version of the traditional independent TV producer-broadcaster relationship, which is included here to highlight contrasts with the areas in which we see most change occurring. Figure 5-1 takes into consideration the major actors generally deemed responsible for the successful outcome of a production (from concept through to distribution). The inclusion of advertising agencies naturally relates only to commercial broadcasters. As we clearly see, the relationship is mediated mainly by the broadcaster who is the main source of financing for the producer and, due to traditional rights arrangements, is also the main recipient of revenue from sales of ancillary goods. Independent producers, in this scenario, would depend on the distribution mechanism of the broadcaster hence, their

internal organisation would facilitate mainly content delivery. External talent would be hired on a contracted, and usually, project basis. The commission would be

based on the imperatives under which the broadcaster was operating, that is, either to produce programming for public service consumption or for commercial benefit.

Figure 5-1 Diagram showing simplified version of traditional independent TV producer - broadcaster collaboration

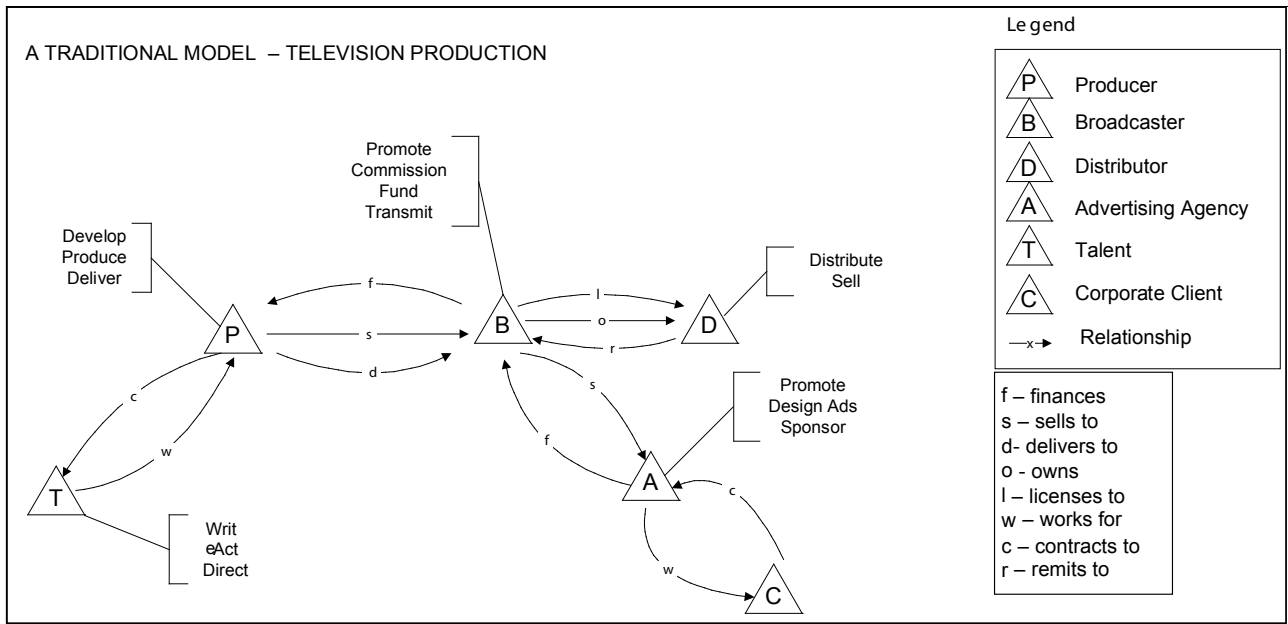
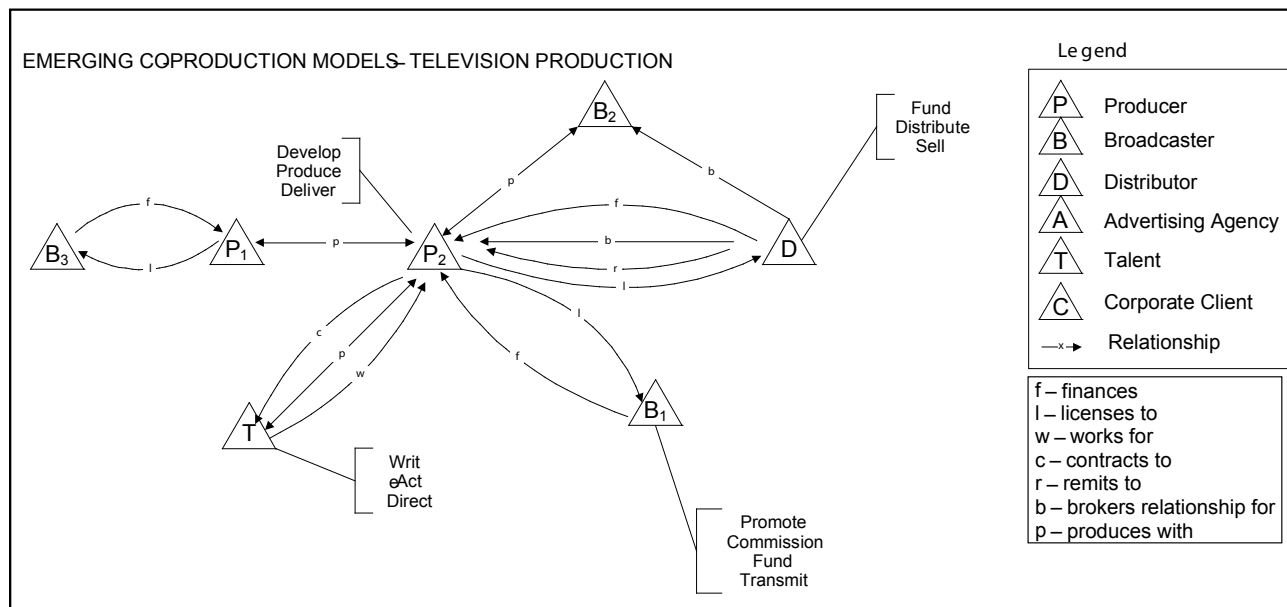


Figure 5-2 illustrates some of the emerging collaborative co-production models that were discussed in the practitioner interviews. The models, as described to us, are evolving mainly due to changes in the market influenced by revised intellectual property rights policies and ongoing digital technology developments. The focal point of this diagram lies with the independent producer who engages in a wider variety of collaborations, most of which ultimately relate to accessing sources of funding. Although broadcasters still commission content, it is no longer, in this model, the expectation that production will be fully funded by them. In addition, the distributor function is seen to be separate from that of broadcasting through the inclusion of a separate distribution entity. Moreover, in terms of the organisation of activity amongst the players in this collaboration, the distribution company, in this scenario, is also expected to provide funding to make up for broadcaster shortfalls and to advise on, and broker relationships with, broadcasters in non-UK territories since internationalisation of content is increasingly seen as a competitive strategy for independents to pursue in response to new market conditions.

Figure 5-2 also highlights opportunities for co-production (generally linked to a financing deal) with other UK or non-UK producers, non-UK broadcasters, and/or new talent-producer companies. The latter are seen to be an emerging powerful force in this collaborative landscape due to their increasing recognition of the economic value of their intellectual property. Since the rights to exploit IP now lie primarily with the independent production company, they stand to gain from all commercially exploitable aspects of their content offerings. Artists who have contributed significantly to content development see the need to share in that return as well. Therefore, they may engage with independents in a revenue-sharing, fee-sharing co-production collaboration rather than a simple, fixed fee, contractual arrangement. For their part, independent TV production companies are seeking to internalise more of the functions that may lead to the ability to profit from commercial exploitation of their products such as hiring more talent internally and developing distribution units.

Figure 5-2 Diagram showing some of the emerging co-production collaborative relationships between independent TV producers and other players in the value chain



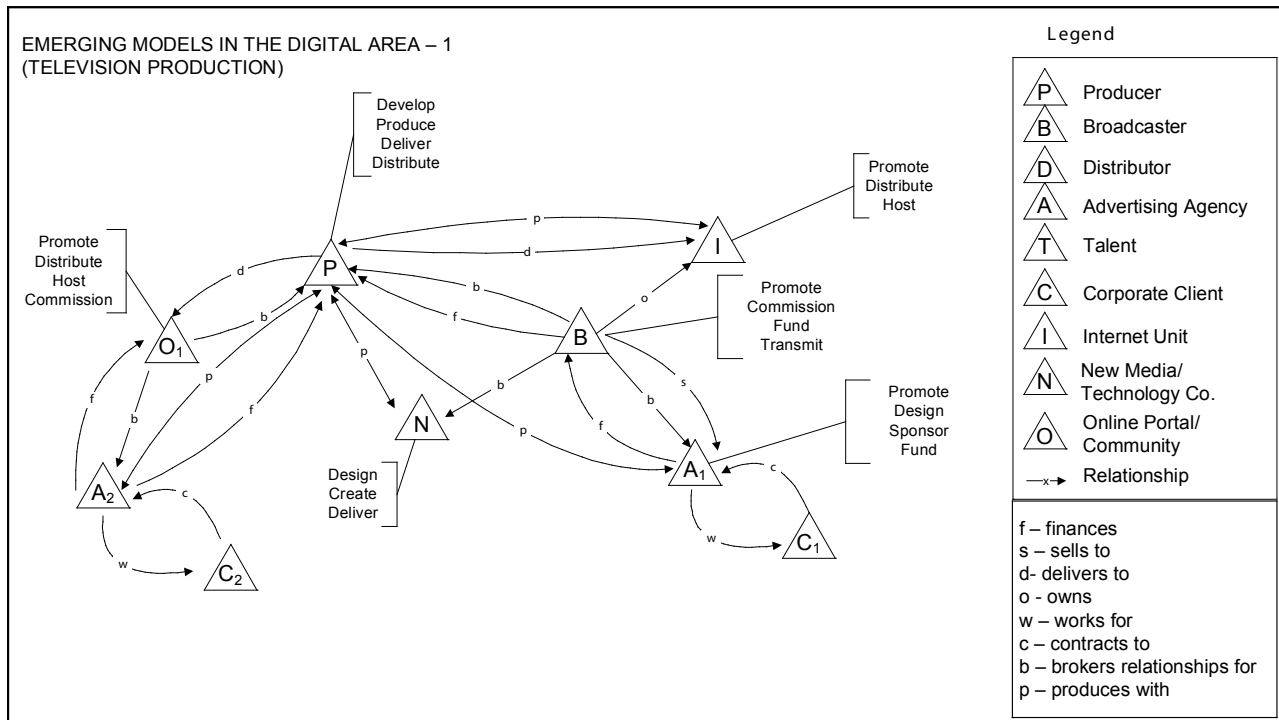
Two further diagrams below map out the more unstructured and complex relationships involved in collaborations that are emerging specifically within the context of attracting audiences on the Internet. In contrast to fairly well established practices in place for the production of content for television broadcast, preparing content for an online audience seems fraught with uncertainty and is addressed through a variety of experimental incipient products. A number of recurring issues with regard to developing these products and accessing these online audiences were raised in the interviews. One major concern related to the fragmented nature of the online audience. The Internet seems to provide a better platform for servicing niche areas of interest rather than that of a mass market. The Internet is also seen to be a “non-linear” enabler since viewers need not adhere to pre-defined schedules nor do they need to access content in a pre-ordered pattern. The online viewer is also perceived to be more easily distracted by stimuli from multiple web sources and therefore more difficult to keep entertained. These differences are suggesting to content producers that products, normally successful in traditional media, may not adapt to the new medium without major modifications. The claim was, in fact, made that only some genres could be deemed likely candidates for successful cross platform development including comedy, sport, news, and pornography. Less adaptable genres, to date, include drama, which is costly to produce and may not lend itself as easily to such cross platform activities.

Participants in our study were also concerned with the lack of perceived economic value in content created solely for online consumption. Since most current audio visual, television based, internet offerings were free at point of delivery for at least a limited time, and since the ethos of using the Internet as a distribution mechanism has been built on providing free access to a variety of goods (at least in the first instance), they find it difficult to determine how customers could be influenced to directly pay for specially created Internet offerings. Currently, the economic viability of new developments largely rest upon funds made available from traditional sources (i.e. broadcaster budgets) or sponsorship, often alongside niche, destination sites, for example.

So far, strategies appear in place for either complementary offerings, such as online games or websites to complement pre-existing television programmes or completely new concepts such as web drama series/soaps (e.g. Sofia's Diary: Bebo), aggregation sites for distribution of particular genres of content or online gambling applications. Key features of online users' modes of interaction are incorporated into these new offerings such as interactivity, short form content, communication and synchronised use of the Internet with related television programming.

The mechanisms used to create the collaborations that provide these new products are diagrammed in Figure 5-3 and in Figure 5-4 below.

Figure 5-3 Diagram showing some of the collaborative models inherent in the production of new media content in relation to the independent TV production sector



In Figure 5-3, the two main players that are at the focal point of this model are the independent TV producer and the broadcaster. One of the products developed in these collaborations would be bespoke interactive websites that complement the substantive TV programme on which they are based. These websites are seen primarily as promotional and brand-enhancing through their ability to reach out to a community of fans of the programme. At a minimum, the sites offer programme clippings, opportunities for interacting with the fan base and play-back through mechanisms that are popular with the main broadcasters such as BBC-iPlayer, 4OD and catch-up, but may also offer themed online game opportunities related to the TV programme's content. An example of this would be alternative reality games which employ a mixture of role playing and links to real-life contexts in their offerings.

Although this content may be aesthetically pleasing and fun (as evidenced by awards granted), it is not seen to create economic value as most offerings are freely accessible for at least some fixed period of time. The value could be in the intangibles such as brand loyalty, building interest in a product, marketing and so forth, which at this point it is difficult for participants to monetise. Nevertheless, the network of relationships necessary to bring about these offerings is quite complex and the limits regarding exploitation of IP rights are

unclear. In the main, broadcasters work closely with the independent producers and their own Internet units (dot.coms) to enable the process. The broadcasters' roles include providing finance, possibly brokering relationships with new media companies who can provide the expertise in web design or online game development and providing the distribution site through their own dot.com. The dot.coms may also work closely in developing the concept with the producers.

Production companies see this area of development for the web as outside of their normal skills set and may address this in several ways, for example, hiring in talent, co-producing with new media companies that are skilled in this area or strategically developing research and development (R&D)-type units tasked specifically with exploring these activities. As yet, the organisational placement of these types of units is not yet established widely. Production companies may also experiment with online products independently of content produced for a broadcaster. Such products would most likely be hosted by online portals or social networking sites such as Yahoo! or MySpace for whom the value proposition is simple: creative content attracts online viewers to their sites, builds their communities and offers them more possibilities for attracting additional advertising sponsorship. It is in fact advertising sponsorship that mainly finances these models of collaboration. If a broadcaster's TV programme is sponsored, it is

most likely the same sponsor that funds the online complementary website and in the pure-play scenario, the online portal or social networking site will be able to sell advertising space based on the number of viewers they estimate the producers' content would attract.

Producers, online companies, new media companies and sponsors may also work together to develop the product, so that the sponsors' requirements are met such as, for example, "product placement" opportunities in the created content.

Figure 5-4 Diagram showing some of the collaborative models inherent in the production of new media content in relation to TV production

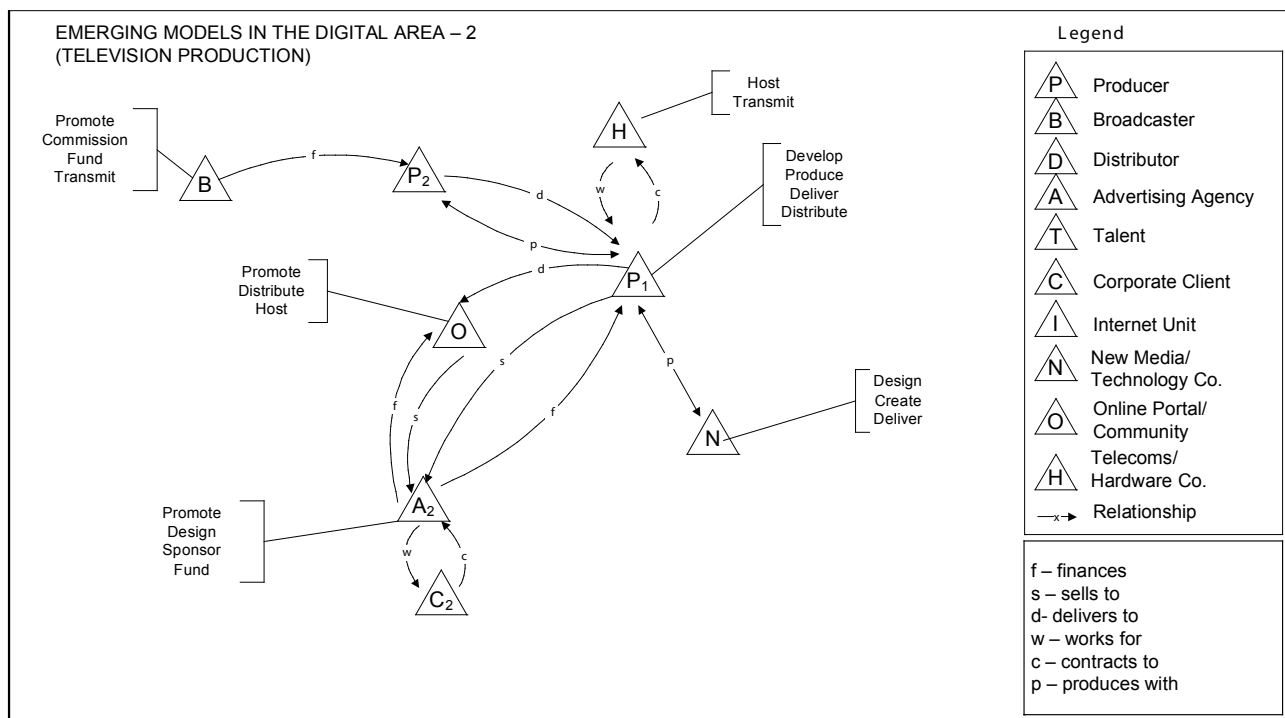
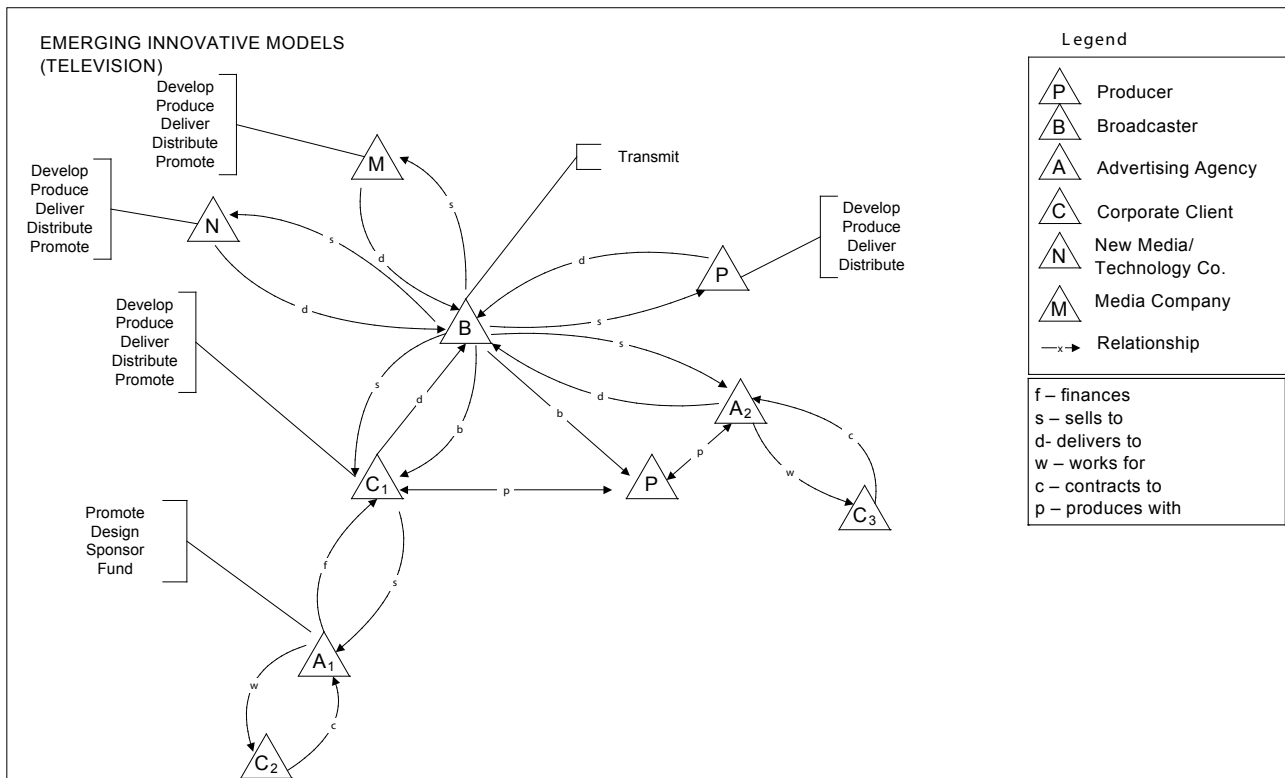


Figure 5-4 displays an alternative scenario for online content development which may develop into a viable e-business model. Once more, the independent production company is at the focal point of this model and basically acts as an online portal for content which may be created within the company (with or without expertise from new media companies) or which may come from other sources such as other production companies, independently or in conjunction with non-UK broadcasters. The production company may either host this content themselves with the help of telecommunications, broadband or application service providers (ASPs) specialising, for example, in efficient content delivery or may host it in conjunction with an existing online portal. In either case, the created website becomes an aggregator of content of a specific genre from disparate sources which could be accessed by its specific niche audience. There is the potential for such a model to become a market for the dissemination of that content and for some revenue-earning mechanism to be applied. As yet this model is in its infancy.

One model that might address the issue of reaching niche audiences, not through the Internet but through the traditional broadcast medium is the following innovative collaborative model that basically strips the broadcaster of all the roles traditionally assigned and leaves just one, that of transmitting a programme. Figure 5-5 illustrates.

Figure 5-5 An emerging innovative collaborative model in the TV production sector

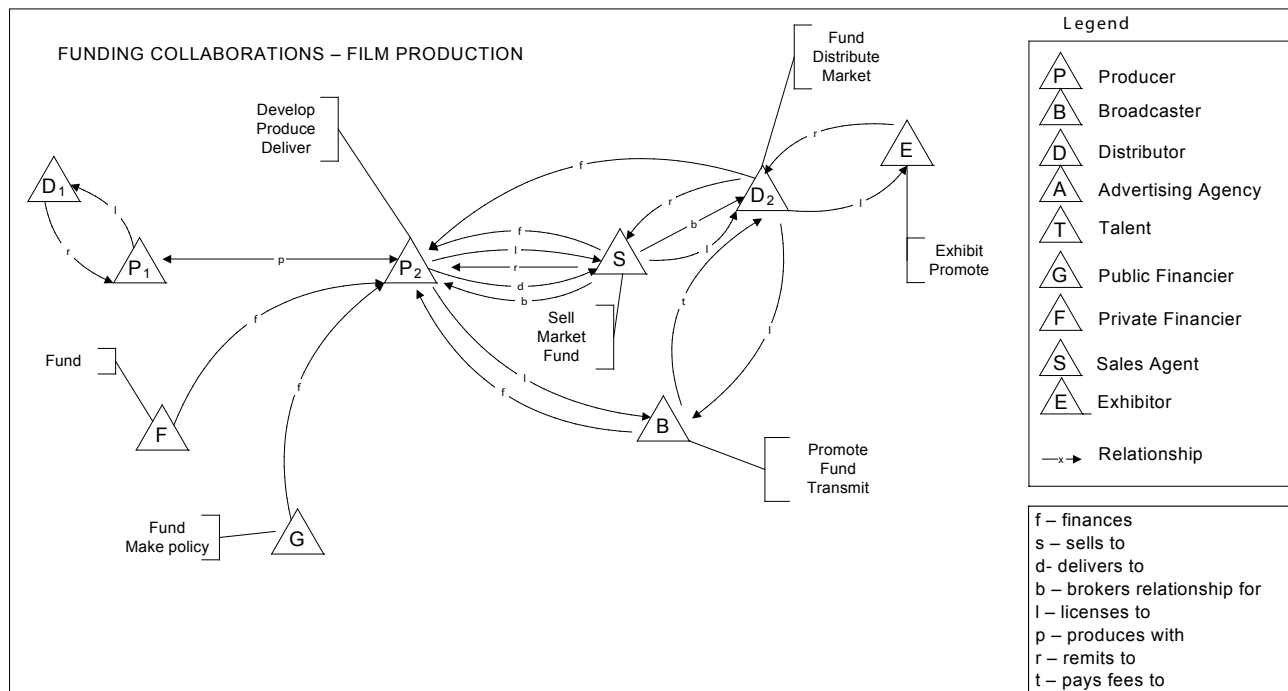


The broadcaster is the focus of this model, but unlike previous models has a very seemingly insignificant role to play. Instead all collaborating parties are tasked with most of the production, delivery, development and promotion activities that are usually distributed along the value chain. The broadcaster in this model sells air time as a means of generating revenue, but allows clients, within reasonable boundaries, to transmit targeted content of their own design. These clients, in turn, can be a mixture of independent producers, corporate clients, new media companies, traditional media companies, advertising agencies, basically any entity that needs to reach a specific set of viewers via television, but for whom it is not possible or desirable to use traditional broadcasting companies. The model is seen to be most useful for piloting untested concepts in advance of full development, for innovative promotional activities, for providing more exposure to online experimental content and for complementing other media in disseminating some specific form of information. Beyond selling airtime the broadcaster's role, in this model, could be enhanced

by brokering relationships with production companies for those clients needing such expertise.

Figure 5-6 is included mainly for comparative purposes in relation to the emerging models from the independent TV production sector that have been presented above. Figure 5-6 details the current collaborative funding models in place for the independent film production sector. The diagram illustrates clearly the complex network of funding arrangements that are constructed in order to realize the completion of an independent film. Such a model is referred to as multi-party financing and it is expected that most of the funding suppliers have a stake in the IP rights of the completed film and must get full return on their investment from the revenue earned by the film before the film producer is recompensed.

Figure 5-6 Diagram of collaborative funding model in independent film production sector



The two main focal points in this model are the independent film producer and the sales agent. The sales agent acts as an intermediary between the producer and the distributor (especially non-UK countries) whose task is to exploit the film commercially in various territories. Not all film producers go through a sales agent in this way, this particularly the case for inexperience producers. Financing for the production of the film is obtained through multiple deals with various players brokered by the sales agent and including the distributors, broadcasters, public funding sources such as the UK Film Council and private funding sources such as banks. The form of those funding sources includes tax breaks, minimum guarantees, license fees, and pre-sales advances. In general, the rights of the film are sold against these forms of financial backing, which ultimately represent investments that need to be recouped once the film is completed and distributed to cinemas, in DVD format or commercially exploited in other ways. The independent film producer is the last to receive gains from revenue earned from the commercial exploitation of the film. Co-production deals are also quite common within these collaborative scenarios especially where such deals facilitate access to non-UK markets since exploitation of international markets for the film is an important strategy in ensuring adequate returns on investment. In the highly competitive and market-driven landscape of independent film production, multi-party financing and co-production deals with non-

UK players appear to be viable strategies for funding projects and reaching international markets. It is likely that models for financing projects in the independent TV production sector may start to share similarities with the model represented in Figure 5-6., since current market conditions have also become more competitive and TV producers' offerings, in order to have more commercial viability, may need to have more international appeal.

Advances in digital technology mean that it is theoretically possible to release a film on the Internet for download concurrent with its release in the cinema. The current windows system for release of a film in various territories and for various media, however, does not facilitate this in general. The windows system is designed so that at each stage of release, revenue earning potential is protected through securing exclusive rights of releasing a film through this format. Films first receive theatrical release, then DVD/Blu-ray, followed by pay TV, then free to air TV. At each stage there is a contractually agreed delay before the next stage of release to prevent perceived cannibalisation of the market for the film. This means that the cinemas retain the right to exploit the exhibition of these films for a specified period exclusively. In practice, however, an independent film may be withdrawn from cinema viewing long before the window period is up, which means that valuable time is lost before other forms of exploitation become available. This also necessitates spending on marketing campaigns at each stage of release. In a highly

competitive landscape, this means that independent films may stand to lose ground to films that have more marketing clout and greater mass appeal and revenue is earned in a more drip feed manner at each stage of release. An alternative strategy for the exploitation of independent films, which includes collapsing the windows system and allowing concurrent release of the film in other digital media formats, may prove more advantageous to this art form and prove to be a viable way of recouping returns on investment more quickly and cost effectively. Policies and guidelines for such a strategy, however, are not yet in place and resistance to early attempts to employ such a release strategy have not been well received by cinema exhibitors.

Distribution costs have traditionally been high for two reasons, the cost of producing and transporting physical prints of films and the additional cost of the publicity materials and placement of paid advertising. With the increase of digital screens in cinemas (partly funded from the UK film Council Digital Cinemas Fund), the cost of distribution of films across territories and within cinemas is decreasing which has potential impacts on the distributor's return on investment. Such digital inventions are still in their formative stages in many markets.

6 Implications and Future Considerations

6.1 Organisational Structure & Practice

As seen from sections 4 and 5, there are organisational changes occurring within the independent television, and to a lesser extent, film production sectors. One structure includes networks of skilled professionals collaborating on a project basis. There is also evidence of an increasing focus on vertical and horizontal integration in order to produce core and peripheral creative products. Equally apparent is that integration co-exists alongside less formal collaboration between production companies and between producers, distributors, broadcasters and new media forms. It is less clear how these co-existing organisational structures and practices may need to adapt in the near term to maintain flexibility and to improve performance outcomes in a cost efficient manner.

We have also seen how increasing third party involvement with new media companies and for some of the organisations involved in this project, development of in-house new media capacity, is beginning to change the organisational landscape. Some advertising spend is shifting from traditional sources, such as broadcasters, to online environments but this activity is at an early stage. As described to us, managing expectations to match reality with regards to current revenue earning potential, in many cases, is a major part of the challenge for those tasked with developing new, multi-platform product offerings. Equally, this is a fertile area for many ideas yet to emerge. Experimentation seems to be an important component to many of the project participants' strategies, which are likely to modify existing practices in significant ways.

6.2 Policy

The findings and issues raised in this report provide a useful context for reflection on possible future implications to policy that could be engendered by ongoing technological and regulatory changes in the independent television and film production sectors. In an environment of rapid change, there is a need for a flexible policy approach. Such an approach needs to encourage the following principles: innovation, sustainability, and diversity. These include considerations that appear equally relevant to both sectors as well as those that address more sector specific concerns. Some of the possible policy implications include 1) regulatory frameworks to protect IP rights, 2) provision of opportunities for cross-sector learning, 3) revised structures for financial assistance and, 4) support for management training of independent producers in both sectors.

The report alludes to apparent consequences deriving from changes to the terms of trade between independent television producers and broadcasters such as a re-evaluation of the economic value of created content. The ability of independent television producers to realise the value of their own content from ongoing rights exploitation is a possible area in which policy regarding the ownership of IP rights in the independent UK film sector could be influenced. Although it may be possible to influence the terms of trade for independent UK film producers in a similar way, wider changes to the dominance of exhibitors as “gatekeepers” could possibly fail to materialise unless structural changes occur. For instance, ongoing advances in digital technologies could influence cinema distribution and exhibition thus changing or eliminating the windows system. Such a change would influence the balance of power between the exhibitor, distributor and producer thus providing a basis for altered negotiations on ownership rights.

Supra national policy on the protection of IP rights from piracy could also represent an area of change. The growth of the Internet and high quality digital reproduction capabilities as well as cultural differences in relation to file sharing all threaten revenue for producers and distributors of audiovisual content. The introduction of digital watermarking and global discussions and regulation of such issues also warrants further attention.

Policy oriented bodies can create opportunities to promote cross-sector learning through a variety of programmes and intra-sectoral meetings. Open fora, focused workshops, and training sessions all represent possible ways in which to engage representatives of both sectors in reflections on business practices, structural similarities and differences, policy implications and opportunities offered through changes in digital technologies such as experimentation into digital media production and other innovative practices.

The report revealed concerns related to access to public subsidies. In both sectors access to such funding could provide the means to support the creation of an offering that might be considered culturally specific and its subsequent conversion into a commercially viable product. The concern would be to safeguard the cultural specificity of that product while ensuring its ability to earn revenue. A reasonable policy development, in view of these concerns, could be a review of the types of public subsidies available and the means by which they could be accessed across both sectors. This review would be aligned towards the practical limitations faced by independents such as limited resources and

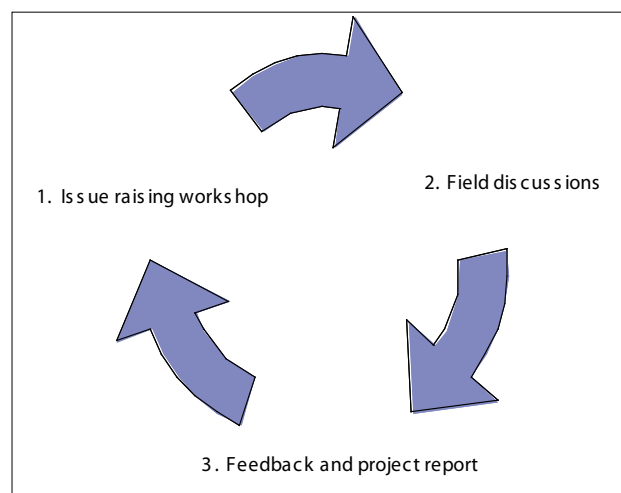
loose organisational structures with a view to providing funding packages more suitable to their specific situation.

Across both sectors, funding could be directed towards initiatives to encourage developing relationships between independent television and film producers and new media companies. Such initiatives are important in encouraging innovation and development of new business models across the sectors. Additionally, training in management and organisational skills has become an area of concern especially for independent television producers as a consequence of the changes to the terms of trade. These changes have resulted in more responsibility being placed on independents to manage the distribution and exploitation of their content offerings. These smaller companies seldom employ resources with the sorts of skills needed to achieve these aims. Therefore, there seems to be a need for training programmes to address this at the sector level.

6.3 HEI-SME Knowledge Exchange

A further key objective of the project has been to initiate a programme of HEI-SME engagement that would begin to build a network for further collaboration by involving practitioner, policy, and academic participants in activities structured to support work going forward in the longer term. The project has, therefore, been involved in designing and piloting a knowledge exchange model for HEI-SME engagement, aimed at providing an ongoing cycle of knowledge building and exchange activity. This model is depicted below in Figure 6-1.

Figure 6-1 Pilot HEI-SME Knowledge Exchange Model



The pilot model has produced several outputs of value to the SME organisations and academics involved. It has also permitted direct engagement with individuals working in the policy domain. The first stage, a half

day issue raising workshop, enabled current issues to be raised and reflected upon in an environment that encouraged discussion of specific issues from different perspectives. Participants were invited and grouped in order to develop discussions between those with different roles and experiences across the two sectors. One aim was to maximise cross sectoral learning and understanding. Discussions were conducted under Chatham House Rule. To facilitate relationship building (networking) the workshop began with a luncheon and concluded with a wine reception.

The participant group was purposely small (30) and activities were planned to maximise active discussion and debate. Brief presentations were provided by a panel of some of the participants about issues they considered salient in the current market conditions. This was followed by group work with each group arranged to include practitioners that were less likely to have former connections along with an academic as a group facilitator and a scribe who ensured that accurate accounts of group discussions were collected. Individuals in each group were asked to table a business model problem specific to their current work then each group chose a problem to consider in more depth. Presentations by each group regarding ways forward to address their specific problem followed with a summary of the afternoon.

This first stage created a joint learning experience and informed the second stage which involved follow on discussions with a selection of the workshop participants and others who were unable to attend the workshop. The third stage moved the discussion forward by providing feedback from learning gained in the first and second stages with a further meeting and dissemination of a draft document for comment that was then amended to form this present report for wider dissemination.

Overall, this staged approach was successful insofar as it established and maintained dialogue between multiple stakeholders about issues of importance to all of the parties involved. A key aspect of the model is that it focuses on creating joint learning opportunities structured in ways to meet SME and HEI priorities. For SMEs involved, there was appreciation and willingness expressed to be involved in activities that combined focused, issue driven workshop sessions with networking opportunities. Willingness to engage in the follow on discussions and interest in receiving this report are reasonable indications that value has been created from these processes. For HEIs, the academics involved benefited through discussions with practitioners facing the issues they were most interested to pursue in their

research work. The idea that this model represents a potentially useful continuous learning model for SME-HEI engagement seems feasible. As such, it has established a base for further development.

7 Recommendations

Throughout this project we have demonstrated how existing and new relationships along the content production value chain are evolving in response to ongoing digital technology developments and UK policies intended to exploit economic and creative potential for independent television and film producers. Producer ingenuity to adapt their creative and organisational practices, and willingness to engage in new network relationships, are key components of the strategies employed by participants in this study.

A variety of emerging collaborative (business) models is visible. These are nascent developments and we have noted several aspects about relationships along the value chain that could impinge on how these models may prevail.

In conclusion, we advocate that a useful plan forward, based upon work developed in this pilot project, needs to include the following components to move beyond current SME-HEI research based development in this area:

- ♦ More extensive examination of the impacts to existing SME content producer practices in response to current market conditions
- ♦ Assessment of value chain (re) alignment
- ♦ Evaluation of emerging collaborative (business) models
- ♦ Focused cross sector and cross market learning opportunities

The inclusion of these components, anchored by an SME-HEI knowledge exchange model, would help to overcome some of the limitations that we found impeding capacity of producers in these sectors to exploit current economic opportunities identified in the pilot project.

Appendix

<i>Project Participants</i>	
Pamela Abbott	Brunel University
Huda Abuzeid	Out There News
Martin Baker	Channel 4
Lucy Bassnet-McGuire	Hardy Pictures
Paul Bennun	Somethin' Else
Jane Bevan	Films of Record
Charlie Bloye	Film Export UK
Rupert Brankin-Frisby	Talkback Thames
Alexandra Budjanovcanin	King's College London
Dominic Burns	Fremantle Media
Tom Campbell	London Development Agency
Dominic Cameron	ITV.com
Charlie Campbell	RDF Media
Paul Canty	Preloaded
Susanna Capon	Royal Holloway
Fiona Chesterton	Skillset
John C. Crissey-II	Royal Holloway
David Crombie	King's College London Business
Paul de Vos	Triple S Films
Wilma de Jong	Sussex University
Tom Frazer	Deloitte MCS
Kerstin Frohlich	London School of Economics
Stephen Garrett	Kudos Film and Television
Anna Godas	Dogwoof Pictures
Paul Grindey	Channel 4
Andrew Farrow	Rightscom
Temtsel Hao	BBC World Service
Oliver Hodgkins	Lighthouse Productions
Dan Isaacs	Kudos Film and Television
Helen Jackson	BBC Worldwide
Lars Guthorm Kavli	Freelance
Finola Kerrigan	King's College London
Claudia Loebbecke	University of Cologne
Robin Lyons	Calon TV
Adrienne Maguire	Archer Street
John McVay	PACT
Lynne Nikolychuk	King's College London
Helen North	Skillset
Fred Perkins	information TV
Kim Soin	King's College London
Matthew Stradling	Triple S Films
Claire Tavernier	Fremantle Media
Huw Walters	Calon TV
Richard Waterworth	ITV
Neil Watson	UK Film Council
Howard Zhang	BBC World Service

<i>Acronyms & Abbreviations</i>	
B2B	Business to Business
HEI	Higher Education Institution
IPR	Intellectual Property Rights
LDA	London Development Agency
King's	King's College London
PACT	Producer's Alliance for Cinema and Television
SME	Small and medium sized enterprise
UKFC	United Kingdom Film Council

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